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Australia

Tree Nuts

Annual

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Report Highlights:

Australian macadamia nut production is projected to increase to a relatively high historical level in 2006/07, but still slightly under the revised record production achieved in 2004/05. Exports are also projected to rise in 2006/07, although remaining slightly under the record export level reached in 2004/05.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1]
[AS]

Table of Contents

SECTION ONE: SITUATION AND OUTLOOK.....	3
General	3
Weather Conditions.....	3
Production.....	3
Exports.....	4
Domestic Consumption	4
Policy.....	4
Free Trade Agreements.....	4
Marketing	5
SECTION TWO: STATISTICAL TABLES	6

SECTION ONE: SITUATION AND OUTLOOK

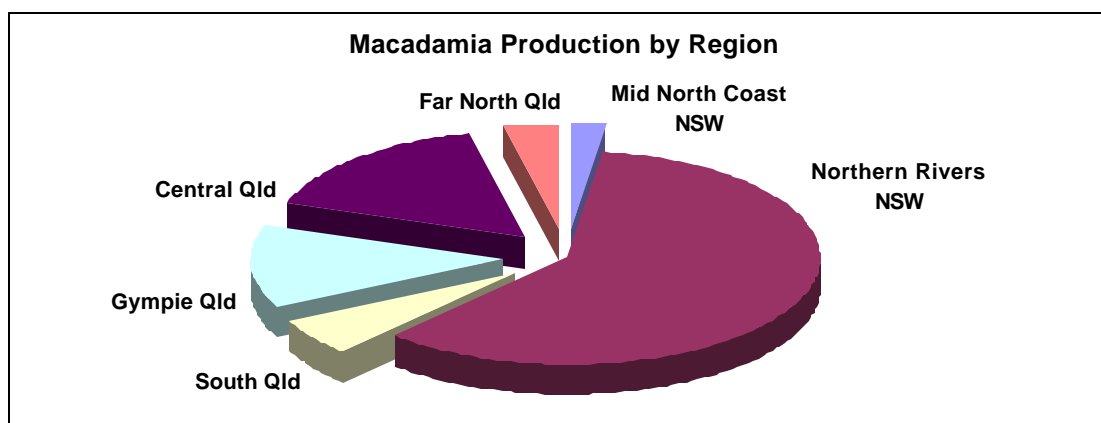
General

Macadamia nuts are the principal tree nut crop grown in Australia. The macadamia tree is native to Australia and is typically harvested from March onwards. Most of Australia's macadamia nuts are grown on the east coast of Australia from northern New South Wales to central Queensland.

According to industry figures, the number of macadamia growers in Australia is currently estimated around 800. The number of commercially bearing macadamia trees in Australia is estimated at around 5.0 million, covering an area of about 17,000 hectares.

Australia has been producing macadamia nuts in commercial quantities since 1981, when approximately 4,400 MT were produced. Production has grown steadily over the years, reaching a record 43,900 MT in 2004/05, with exports comprising about 80 percent of total production. Today, Australia accounts for around 40 percent of global macadamia production.

Macadamia nuts are grown in the high rainfall coastal hinterland. Some plantings also exist in Western Australia. Northern NSW has traditionally produced the largest volumes; however, newer areas in central Queensland are increasing the proportion of total production grown in this region.



Source: Australian Macadamia Society data.

Post uses a March - February reporting year for macadamia nuts, so that the crop to be harvested beginning in March 2005 is included in the 2005/06 year. However, the 2005/06 nut crop was set and matured in 2004.

Weather Conditions

Weather conditions have remained favorable for the 2005/06 crop, with recent months registering above average rainfall. Industry sources report excellent soil moisture conditions and suggest that these favorable moisture conditions are likely to carry over into the 2006/07 crop.

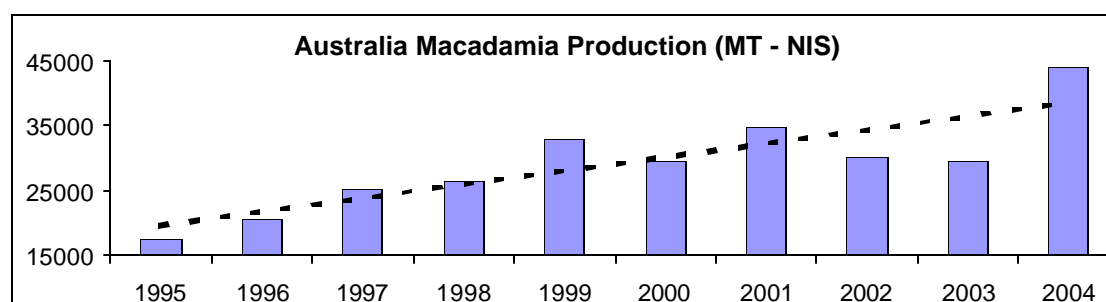
Production in 2004/05 was adversely affected by drought conditions that began in 2003 and affected most of the Australian continent. Climatic data shows key macadamia nut producing areas suffering well below average rainfall during the growing season of the 2004/05 crop.

Production

Post projects macadamia nut production in 2006/07 to reach 43,000 MT, on a “nut-in-shell” (NIS) basis, up significantly from the 38,000 MT forecast for the previous year and slightly under the record 2004/05 crop of 43,900 MT. Much improved soil moisture conditions associated with the dissipating of the drought is expected to see yields increasing, with an incremental increase in tree numbers also boosting the production outlook.

Production in 2005/06 is projected at 38,000 MT, down 500 MT from Post’s previous forecast and in line with current industry expectations. Historical data shows this production level to be consistent with the long-term growth in Australian macadamia production.

Post has revised estimated production for 2004/05 upwards to 43,900 MT, in line with recently released industry figures. This represents an increase of 5,900 MT from Post’s previous estimate.



Source: Australian Macadamia Society data. Note: 2004 corresponds to 2004/05

Exports

Total macadamia nut exports for 2006/07 are forecast at 34,275 MT, up sharply from the previous year. The increase in forecast production is expected drive exports higher, although exports are expected to remain below the record 34,900 MT estimated for 2004/05. Excellent growth in markets such as Japan and Europe have seen tonnages to these destinations more than double between CY 2000 and CY 2003. Post expects these markets to continue to grow relatively over the forecast period.

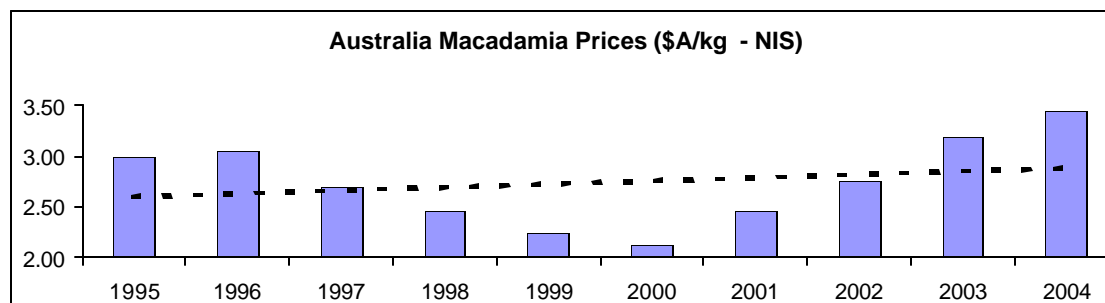
Total macadamia exports for 2005/06 are forecast at 29,500 MT (NIS), up sharply from Post’s previous forecast. The upward revision is due to the relatively high production achieved in 2004/05.

Total macadamia exports for 2004/05 are estimated at a record 34,900 MT (NIS), up sharply from Post’s previous figure. This increase is relatively consistent with the sharp upward revision revealed by year-to-date Australian Bureau of Statistics data. Again, the record high production was the major driver of the increase in exports.

Prices

Industry sources expect the 2005/06 crop to sell at an average producer price of between A\$3.40 and A\$3.50, remaining relatively unchanged from the A\$3.45 average quoted by industry sources for the 2004/05 crop.

According to historic industry data, the current projection for prices represents a historically high figure, but remains roughly in line with the higher prices received since CY 2000.



Source: Australian Macadamia Society producer price data.

Domestic Consumption

Australian macadamia nut consumption is projected at 8,250 MT, up from the 8,000 MT forecast for the previous year. Official up-to-date statistics on macadamia nut consumption is unavailable. Figures quoted by Post are derived from production and export numbers.

Policy

Free Trade Agreements

Australia has Free Trade Agreements (FTAs) with New Zealand and Singapore, and implemented FTAs with Thailand and the United States in 2004/05. Other FTAs are being pursued with the Association of Southeast Asian Nations (ASEAN), Malaysia, China and other countries in the region.

Australia completed FTA negotiations with the United States in early 2004, with the agreement taking effect on January 1, 2005. The Australian Minister for Trade has characterized the FTA as "the most important bilateral deal that Australia has ever concluded".

In CY 2004 the United States was Australia's second largest export destination for macadamia nuts, receiving around 17 percent of Australia's total NIS exports. Exports to this destination have typically attracted a tariff of US\$0.05/kg for unprocessed macadamias, or a 17.6 percent tariff for macadamia products. Under the FTA, the U.S. tariff on NIS macadamia's will be eliminated immediately and the tariff on macadamia products will be phased out over five years.

Marketing

Industry activities are funded via a levy applied to all macadamia nuts produced within Australia. This levy is set at a rate of 25.2 c/kg (Australian, kernel basis). Of this, approximately 17.3 c/kg is collected for promotional activities, 7.2 c/kg is collected for research activities, and 0.63 c/kg is collected to fund chemical residue testing.

SECTION TWO: STATISTICAL TABLES

PSD Table Macadamia, Inshell Basis							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		03/2004		03/2005		03/2006	MM/YYYY
Area Planted	17578	17160	18000	17500	0	17500	(HA)
Area Harvested	13500	13790	14000	14045	0	14326	(HA)
Bearing Trees	3728	4130	4100	4210	0	4290	(1000 TREES)
Non-Bearing Trees	872	870	900	890	0	910	(1000 TREES)
Total Trees	4600	5000	5000	5100	0	5200	(1000 TREES)
Beginning Stocks	425	425	1925	1925	2500	2425	(MT)
Production	37000	43900	38500	38000	0	43000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	37425	44325	40425	39925	2500	45425	(MT)
Exports	28000	34900	29500	29500	0	34275	(MT)
Domestic Consumption	7500	7500	8425	8000	0	8250	(MT)
Ending Stocks	1925	1925	2500	2425	0	2900	(MT)
TOTAL DISTRIBUTION	37425	44325	40425	39925	0	45425	(MT)

Import Trade Matrix Macadamia, Inshell Basis			
Time Period	Yr End Feb	Units:	MT
Imports for:	2004		2005
U.S.	0	U.S.	0
Others		Others	
Unidentified	917	Unidentified	669
Total for Others	917		669
Others not Listed	0		0
Grand Total	917		669

Export Trade Matrix Macadamia, Inshell Basis			
Time Period	Yr End Feb	Units:	MT
Exports for:	2004		2005
U.S.	3810	U.S.	5334
Others		Others	
Unidentified	5899	Unidentified	8259
Japan	5818	Japan	8145
Belgium	1969	Belgium	2757
Netherlands	1604	Netherlands	2246
Germany	872	Germany	872
Hong Kong	621	Hong Kong	869
Taiwan	241	Taiwan	337
Spain	217	Spain	304
United Kingdom	210	United Kingdom	294
South Korea	200	South Korea	280
Total for Others	17651		24363
Others not Listed	1251		2100
Grand Total	22712		31797